



MTRB Employer Bulletin

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Massachusetts Teachers' Retirement Board

BOSTON OFFICE

69 Canal Street
Boston, MA
02114-2006

617-727-3661
FAX: 617-727-6797

SPRINGFIELD OFFICE

101 Main Street
Suite 210
Springfield, MA
01103-2066

413-784-1711
FAX: 413-784-1707

mass.gov/mtrb

EMPLOYER REPORTING
617-878-2895
FAX: 617-727-4443
empsup@trb.state.ma.us

RICHARD PROBERT
Director,
Employer Reporting
617-878-2878

LISA M. MALONEY, ESQ.
Director,
Educational Services
617-878-2811



Payroll reporting in eRetirement: Get ready— to ensure accuracy, the new system is strict

Please ensure that your computer system and payroll vendor are able to produce report output in harmony with our business rules and validation tests

Despite the fact that all 407 Massachusetts school districts submit teacher retirement deduction data in a uniform report format, the quality and usefulness of the financial information that we receive varies. This can be caused both by input error, and by flaws in vendor-supplied systems. Here is an example of one type of reporting error: incorrectly calculated annual salary.

The illustration below is a snapshot of an actual screen from the MTRB's current information management system (MassTRS). This system is scheduled to be replaced in the spring of 2005 with our new web-based, integrated reporting system—eRetirement—currently in development.

The screen shows a record from a deduction report file submitted by a large regional

school district. The report was created using vendor-supplied software. Deduction reports in MassTRS and eRetirement are based on the same file layout, so the fields shown in this record also appear in eRetirement. In this record the payroll officer is reporting the following:

- Base earnings \$4,787.16 (line 31)
- Longevity bonus \$57.70 (line 32)
- Stipend \$195.00 (line 32)
- Contribution rate 11% (line 40)

The longevity bonus and the stipend are considered types of *additional compensation*. They should not be included in the member's base earnings, the portion of total pay derived from the contractual salary. The total pensionable earnings is equal to: base pay + longevity + stipend. In this case, \$5,039.86.

The retirement deduction for the reported earnings, displayed in line 41, computes correctly:

$$\$554.38 \div \$5,039.86 = 0.11$$

Other data elements collected in the deduction report include:

■ **Annual salary** (line 33): the annualized base salary, as specified in the pay schedule in the teachers' collective

Transaction		Employee/Employment Information	
2) Type/Date: N / 01/24/2004	100 School: 018	200 Contract Term: 12	
3) Period: 012004	11) Position: TEACH	21) Pay Freq: 26	
4) Subtotal: 155681	12) FT/PTN: 100	22) Pay Duration: 1.5	
5) Range: Y	13) Grant%: 0		
Time/Earnings		Contributions	
30) Line: 0.00	40) EES Water: 11		
31) Earn Base: 4787.16	41) EES: 554.38		
32) Earn Coach: 0.00	42) EES +21: 0.00		
Earn Bonus: 0.00	43) ERP Code: 0.00		
Earn Longv: 57.70	ERP Amount: 0.00		
Earn Stipnd: 195.00	44) Instalment: 0.00		
Earn Prens: 0.00	45) Taxed Federal: 0.00		
Earn Inelig: 0.00	46) Taxed State: 554.38		
33) Salary: 65510.00			
Couns: DC Grant:			

Contribution record detail screen from our current computer system, MassTRS.

See **eRetirement
validations**, page 3 ►

Be ready for eRetirement, which is coming to a screen near you in 2005—

Please register online for a summer Employer Seminar!

The implementation of eRetirement in your school system is less than a year away. The successful implementation of the eRetirement system is central to our ability to provide quality service to the members, the school districts, and the retirees of the MTRB.

Upon the implementation of eRetirement, all of our employer reporting units—school districts, collaboratives, and charter schools—will submit their monthly retirement deduction reports via a secure web application. A school district administrators' web home page is in the final stages of design. The school district MTRS liaison will assign a unique login ID and password for each local official who is authorized to perform MTRS-related functions required for eRetirement.

You will receive more details about the eRetirement implementation and training sessions at this summer's MTRS Employer Seminars, and through future bulletins and e-mails. We encourage you to make sure the MTRS liaisons attend the summer employer program in preparation for making sure that deduction reports are error free. The validation rules in our new system are not new. Your deduction reports will be in the same format you submit today. But if you report bad data, or your payroll vendor provides bad data, the eRetirement system will create error reports, which you will have to correct each month using the web-based application.

SUMMER 2004 EMPLOYER SEMINARS

Register at mass.gov/mtrb today!

Worcester	Tues., July 20	College of the Holy Cross, Hogan Center
Pittsfield	Wed., July 21	Crowne Plaza Hotel
Fitchburg	Tues., July 27	Fitchburg State College, Hammond Campus Center, Ellis White Lecture Hall
Holyoke	Thurs., July 29	Holiday Inn
Wakefield	Mon., August 2	Sheraton Colonial Hotel and Golf Club
Waltham	Thurs., August 5	Four Points by Sheraton
Taunton	Tues., August 10	Holiday Inn
Hyannis	Thurs., August 12	Four Points by Sheraton Hyannis Resort

Training and the distribution of information will be critical factors in the success of the eRetirement system, so **please go online and register for the program nearest you!**

The Employer Focus Group will be contacted this summer to preview the school district home page and portions of the eRetirement web based application. MTRB looks forward to their assistance and feedback.

Please make sure your MTRB Employer Reporting representative has your most recent e-mail address for future updates regarding eRetirement training sessions. Send your e-mail address to us at empsup@trb.state.ma.us. ■

TECHNICAL ANNOUNCEMENT

Check your payroll name tables *now*

In anticipation of the eRetirement rollout, the MTRS is getting ready to convert current member account data to a structure that can be translated easily into eRetirement format. One difference between the new and existing systems is seen in the design of the **name field**. Both systems store member name data as a 30-character field, but in eRetirement the length of the first name cannot exceed 15 characters:

Format **Lastname Modifier, Firstname MI**

Examples Smith Jr., James J.
Jones-Doe, Mary-Anne Beth

Field length 30 characters total, including spaces;
"Firstname MI" cannot exceed 15 characters

In other words: last name first, separated by a comma from the first name and middle initial, if any. Modifiers to the last name (Sr., Jr., III, etc.) are considered part of the last name and are placed before the comma and separated from the last name by a space. Hyphenated last names and compound first names are acceptable, provided the entire name string, including spaces, is no longer than 30 characters and the portion after the comma does not exceed 15 characters.

Please assist us by checking your payroll name tables

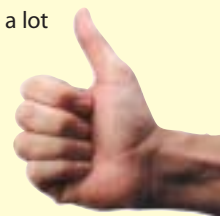
to ensure that you are not submitting first names that are more than 15 characters long. Records that do not comply with this format rule must be corrected at the school district level because MTRS account data is updated each month when we merge your deduction report output with our membership system. Your assistance in this matter will help assure a smooth and speedy conversion when eRetirement launches in the spring of 2005! ■

THANK YOU!

To all of you—our more than 1200 payroll and insurance administrators, town treasurers and human resources personnel—**THANK YOU** for all of your assistance during this busy 2004 retirement season.

We know that we have been asking you for a lot of documentation in advance, and we truly appreciate your help and cooperation.

You provide invaluable service to us and our members throughout the year, and we are grateful for your support.



It's fine to re-hire a retiree, but be aware of time and earnings limitations

Employers are responsible for monitoring the retiree's hours and earnings

For most retirees, retiring doesn't mean the end of working! Many employers recognize the experience and accumulated skill that retirees have to offer and welcome them back to the workplace. If you are contemplating hiring a retiree, you'll have to keep in mind a few restrictions on how long a retiree can work and how much he or she can earn.

■ Can a retiree return to work?

Of course a retiree can return to work after retirement, but there may be restrictions depending on where he or she goes to work. There are **no** restrictions on a retired teacher going to work in the private sector or for the public sector in another state. If a retiree wants to go to work after retirement for the employer for whom he or she previously worked, federal tax law will require a "gap" before being re-employed. (Section 402 of the Internal Revenue Code requires that pension benefits be paid only to retirees, so for most members the IRS has required some gap as proof of a true "separation from service.") The IRS has never been precise about how long this "gap" must be, but the MTRS and many other teacher retirement systems around the country have required a gap of no less than 60 days before returning to service. This rule does not apply, how-

ever, if the retiree is at least 65 years of age or if he or she retired at the maximum benefit level of 80 percent.

■ When a retiree goes back to work for a public entity, what time and earnings limitations apply?

Generally speaking, a retiree will not be able to work for the Commonwealth or any other public entity in Massachusetts for more than 960 hours in any calendar year, or earn more than the difference between the annual retirement allowance and the annual salary currently paid for the position from which the member retired.

There are, however, several exceptions to the time and earnings limitations.

■ **Critical shortage:** Individual school districts may, in accordance with Department of Education regulations, declare a "critical shortage" of licensed or certified teachers. The regulations are found at 603 CMR 7.14(12). If a critical shortage has been declared, most retirees can work in the specified positions without regard to the time and earnings limitations.

Members who retired under RetirementPlus, cannot use a "critical shortage" to escape the earnings limitations for the first two years after [See Rehiring a retiree](#) on back page ►

eRetirement validations Continued from page 1

bargaining agreement or the administrator's contract. This value is stored and used as part of the benefit calculation process when the member applies to retire. Whenever the member receives a raise because of advancement in the pay schedule or the implementation of a new collective bargaining agreement, **annual salary** must be updated on the deduction report.

- **Pay frequency** (line 21): the number of paychecks per year paid to the member. Teachers paid on a biweekly schedule normally have a pay frequency of 26. An administrator might have a weekly pay arrangement, with a pay frequency of 52. The value reported in this field is used to validate the accuracy of other elements in the report. In the eRetirement system these validations must succeed or the file will be rejected by the system.

This record fails the data validation for annual salary. There are two pay transactions being reported in this period, so the base amount is divided by 2 to get the single pay transaction amount, which is then multiplied by the pay frequency.

$$(\$4,787.16 \div 2) \times 26 \neq \$65,518.00$$

The correct figure should be \$62,233.08.

This error could be the result of an input error or caused by the software used to compile the report. The MTRB cannot accept this inaccuracy because it would render the member's record useless for calculation purposes. In the eRetirement processing environment, this district's

file would be rejected and the payroll officer would be informed via next-day e-mail that the submission had failed the data validation. The payroll officer would then be directed to an online error correction interface to replace the erroneous values with correct ones on a record-by-record basis.

It is possible to uncover the logic that produced the erroneous annual salary value. The system has added the additional compensation reported in line 32 to the base earnings displayed in line 31. The enhanced earnings were then used in the equation as the earnings factor:

$$[(\$4,787.16 + \$57.70 + \$195.00) \div 2] \times 26 = \$65,518.00$$

As a result, the additional compensation is imbedded in the reported annual salary figure, which should properly contain only base earnings. The MTRB deals with additional compensation, such as stipends and longevity pay, separately when calculating benefits because these earnings must comply with the rules regarding regular compensation; that is, they must be deemed pensionable earnings.

eRetirement is intended to streamline benefit calculations, automate processes that are now performed manually, and improve data quality throughout the system. To assist this effort, users must understand the business rules that shape the design and become skilled at navigating through the screens and using the various features. It is equally important for school district administrators to ensure that local computer systems and payroll vendors are able to produce report output in harmony with these business rules and capable of passing eRetirement validation tests. ■

Rehiring a retiree Continued from page 3

retirement. Even during those first two years, however, they are exempt from the 960-hour limitation.

■ **Waiver:** Of course, a retiree can waive his or her pension and then disregard the time and earnings limitations of the retirement law. When the employment is over, the retiree can reinstate his or her retirement allowance but cannot recoup the amounts that were not paid during the period of the waiver.

Also, a retiree cannot waive his or her pension during one year and then reinstate it the next year for 960 hours. According to the Attorney General, such “on-again-off-again” arrangements “turn the statutory retirement scheme on its head by providing retirement benefits to employed persons rather than a limited opportunity for compensated employment to retired persons.”

■ **Assuming a retiree is bound by the earnings limitations, what constitutes “earnings”?**

Essentially, any income from public employment constitutes earnings. It does not matter if the retiree characterizes himself or herself as an independent contractor or consultant, or forms a corporation for the purpose of engaging in the employment.

■ **What happens if a retiree exceeds the earnings limitations?**

The treasurer of the public employer has the primary responsibility for monitoring a retiree’s earnings and should reduce the retiree’s pay if the limitations are exceeded. If the excess earnings come to the attention of the Board, the Board has an obligation to recoup the excess earnings by reducing future retirement allowance payments. ■

Guidelines for taking a refund

What to tell a departing employee who wants to take a refund of his or her MTRS account

Members who separate from teaching service and who do not immediately re-enter Massachusetts public employment are eligible to receive a refund of their annuity savings account. Please keep these guidelines in mind when members contact you with questions about the refund process.

- Members should not submit a refund request **until their employment has terminated.**
- The MTRB cannot process a refund **until the last retirement deduction is received and posted.**
- Members should expect the refund process to take at least **60 days.**

June 30th retirees—

How to handle health insurance deductions for employees who are retiring at the end of the school year

Is your school district one of the 77 districts that are part of the Group Insurance Commission's RMT program? If:

■ **YES**, then you should withhold premiums for any partial month and two full months following the employee's retirement date, because the GIC begins coverage on the first day of the third full month of retirement.

For example, if the employee is retiring on June 30, 2004, then you should withhold premiums through August 30, 2004. The employee would then stay with your district's group insurance program for July and August, and the GIC will pick up coverage as of September 1st. Likewise, if the employee is retiring on July 15, 2004, then you should withhold premiums through September 30, 2004; in this case, the employee would stay with your district's group insurance program through July, August and September, and the GIC will pick up coverage as of October 1st.

■ **NO**, then you should treat the employee as if he or she would be returning to school the next year, and withhold his or her premiums as you would normally do from the employee's (school) year-end payday or summer pays, so that his or her insurance is paid up through the month of September.

Then, in September, the insurance coordinator for your city/town/regional district can instruct us to begin insurance premium withholdings for the new retiree's October premium; the retiree's October insurance premium will be withheld from the retiree's MTRS retirement payment that is processed at the end of September. ■

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your copy of
the *Employer Bulletin*
via e-mail?

If not, please send your e-mail address to us at **empsup@trb.state.ma.us** and we'll send the next issue right to your desktop!